

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 L-03 COME-00 H-03 CIAE-00 INR-10

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LAB-06 STR-08 FTC-01 INT-08 DRC-01 SS-20 SPC-03 NSC-07

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TO SECSTATE WASHDC 0066

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E.O. 11652: N/A

TAGS: EIND, EFIN

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: (A) HK A-79, MARCH 23, 1973; (B) STATE 53993

1. CLIMATE NARRATIVE IN REPAIR SHOULD BE UPDATED AS
FOLLOWS:

A. PARA 1, LINE 14: DELETE SENTENCE BEGINNING "ONE
DEPARTURE" AND SUBSTITUTE FOLLOWING: "REALIZING THAT
HIGH FREE MARKET LAND COSTS MIGHT DETER HIGH TECHNOLOGY
INVESTORS REQUIRING SIZEABLE LAND AREAS, THE HKG HAS
BEGUN TO LEASE INDUSTRIAL LAND TO SUCH INVESTORS BY
PRIVATE TREATY AT SUBSTANTIALLY LOWER COST."

B. PARA 2 REMAINS CURRENT. THE BULK OF LEGISLATION TO
REGULATE THE STOCK MARKET IS STILL PENDING.

C. PARA 3, SUBSTITUTE: "REGISTERED INDUSTRIAL EMPLOY-
MENT ROSE TO 626,000 IN 1973 BUT THERE ARE SIGNS THAT
THE LABOR MARKET IS SLACKER THAN IN RECENT YEARS. WAGES
HAVE BEEN INCREASING IN THE 15-20 PERCENT RANGE BUT WERE
OVERTAKEN BY SEVERE INFLATION IN 1973, REDUCING REAL WAGES
AND RAISING THE LIKELIHOOD OF HIGHER WAGE DEMANDS. MOST
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RECENT US DIRECT INVESTMENT (WITH THE NOTABLE EXCEPTION

OF TWO LARGE INDUSTRIAL PROJECTS) HAS TAKEN THE FORM OF ESTABLISHING REGIONAL CORPORATE HEADQUARTERS FOR FINANCE COMPANIES. INVESTORS HAVE BEEN ATTRACTED BY THE FACTORS MENTIONED ABOVE AND BY HONG KONG'S POSITION AS A GATEWAY TO CHINA. FOREIGN INDUSTRIAL INVESTMENT HAS CONCENTRATED UPON ELECTRONICS, TEXTILES, AND TOYS. FOREIGN-OWNED INDUSTRIES EMPLOY 12 PERCENT OF THE INDUSTRIAL WORK FORCE AND ACCOUNT FOR ABOUT 12 PERCENT OF THE COLONY'S EXPORTS.

2. ATTACHMENT 1, ITEM 3 SHOULD BE AMENDED AS FOLLOWS:

DIRECT INVESTMENT BY ALL COUNTRIES IN 1973

BOOK VALUE AT YEAR-END

A. TOTAL, INCLUDING US US \$ MIL 228.4

B. OTHER COUNTRIES

I) JAPAN	59.5
II) UK	23.7
III) SINGAPORE	22.7

SOURCE REMAINS DC & I, HKG; FOOTNOTE ON UK REMAINS APPLICABLE.
CROSS

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